
November 15–16, 2005

Preliminary information on payment adequacy for hospitals

ISSUE: Each year MedPAC assesses the adequacy of current hospital payments and recommends payment updates for hospital inpatient and outpatient services.

KEY POINTS: Our approach for updating payments consists of two steps:

- Assessing whether current payments are adequate, and
- Making a judgment about how much hospital payments should change in 2007.

Our determination of payment adequacy considers:

- Beneficiaries' access to care and changes in the capacity of providers
- Changes in the volume of services
- Changes in the quality of care
- Providers' access to capital
- Medicare payments and providers' costs for FY 2006

At the November meeting, we will present information on the first four factors in our framework. Then at the December meeting, we will follow with analyses of the growth in hospital costs and the relationship of Medicare payments and costs.

ACTION: No decisions are needed. Commissioners should review the preliminary findings in preparation for the December meeting, when additional information will be presented. This material will be included in the March report.

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